



SOCIAL SECURITY

Office of the Inspector General

MEMORANDUM

Date: July 6, 2001

Refer To:

To: Larry Massanari
Acting Commissioner of Social Security

From: Inspector General

Subject: OIG ALERT -- Misleading Solicitations Target Senior Citizens

Introduction

The purpose of this memorandum is to summarize the OIG's investigation into hoax flyers that targeted elderly persons nationwide and to suggest remedial measures to help reduce the risk of similar scams in the future.

Summary of Investigation

This investigation was initiated in response to over 20 independent allegations received by the Social Security Administration (SSA), Office of the Inspector General (OIG), Allegation Management Division (AMD) regarding deceptive flyers targeting Americans aged 75 and older. Two distinct flyers falsely referencing changes in Social Security benefits were widely distributed in certain communities. One flyer falsely informs recipients that "[t]he Government is refunding monies to anyone alive that was born up until the year of 1927 due to the Slave Reparation Act." See Exhibit 1. This flyer promises elderly recipients \$5,000 if they supply their name, address, phone number, date of birth, and Social Security number to a "National Victim's Registrar." The flyer states that the \$5,000 may be attached to the person's Social Security benefit check or issued in one lump sum. There is no such law as the Slave Reparation Act – the flyer is a hoax.

The second flyer targets so called "notch babies" born between 1917 and 1926, although certain versions of the hoax flyer have extended that time frame significantly. See Exhibit 2. The "notch" flyer promises recipients higher Social Security benefits or a \$5,000 lump sum "settlement" under a bill proposed in the Senate. The flyer asks for identifying information, including Social Security number, to place the respondent on a "National Victim Register." The flyers warn recipients that: "Social Security will not contact notch babies, so they should write to be placed on a National Victim Register."

In response to consumer complaints and inquiries, the OIG launched an investigation to identify the person or entity responsible for the creation and dissemination of these false and misleading flyers.

The Investigation

The return address on both hoax flyers directed all responses to a post office box registered to TREA Senior Citizens League (TSCL), an independent affiliate of The Retired Enlisted Association (TREA).¹ TSCL is a tax-exempt 501(c)(4) organization that purports to advocate for legislative reforms favorable to senior citizens. As part of its campaign, TSCL fundraises on the issue of notch reform. Specifically, TSCL operates a direct mail campaign that asks seniors to contribute money to TSCL's lobbying efforts that focus on the passage of notch legislation first introduced more than 20 years ago.² Although some of TSCL's standard fundraising solicitations also address the notch issue, the OIG's investigation focused solely on two hoax flyers with which TSCL disavows any affiliation.

The OIG determined that the hoax flyers generated more than 29,000 individual responses. Respondents were asked to mail their responses to a post office box registered to TSCL. Through an IG subpoena, the OIG received all original responses to the two flyers. The confusion caused by the hoax flyers was immediately apparent: many respondents sent TSCL photocopied identity documents, including Social Security cards, drivers licenses, census documents, school records, birth certificates, detailed family genealogies, and military papers. See Exhibit 3. One respondent even sent an original birth certificate to TSCL along with the completed flyer. Still others sent letters expressing their desperate need to receive the money promised by the flyer. See Exhibit 4. It was clear from the responses that the recipients of the hoax flyers believed that the flyers provided legitimate notice of money owed to them by the government.

The OIG's preliminary investigation revealed that TSCL responded to the torrent of mail generated by the two flyers by directing its data processing firm to create a database containing the respondents' personal information. TSCL then generated a mailing list and attempted to respond to each recipient of the hoax flyers. TSCL's letter to the victims of the hoax disavowed any responsibility for the scam and included TSCL's standard fundraising brochure.

The OIG issued subpoenas to TSCL, as the specified recipient of the hoax flyers, and to TSCL's marketing and data processing firms. The OIG vigorously pursued leads generated by the flyers themselves, in addition to interviewing past and present TSCL employees and other persons linked to TSCL. At all times during the investigation, TSCL denied any involvement with the hoax flyers. Furthermore, TSCL issued press releases and posted advisories on its website claiming that it had reported the scam to the Social Security Administration and the United States Postal Inspection Service and that TSCL was working along with these federal agencies to identify the origin of the hoax flyers. However, at the same time, TSCL's marketing

¹ TREA was created by an act of Congress in 1963 and is a 501(c)(19) veteran's service organization.

² Despite being introduced in various forms since 1981, notch legislation has never passed and individuals born during the so-called "notch" years have never received any form of compensation. However, public records indicate that these elderly citizens, currently aged 75 to 84, contribute vast amounts of money to private organizations claiming to lobby Congress on their behalf. TSCL is only one of several groups that engage in notch reform fundraising. According to IRS Form 990 tax returns filed by TSCL, obtained from the Commonwealth of Virginia, Office of Consumer Affairs, TSCL generated more than \$34 million from direct public support during calendar years 1997 through 1999.

and data processing firms resisted compliance with the IG subpoenas, causing the OIG to seek enforcement of two subpoenas in federal district court.

Outcome

TSCL has maintained that the flyers were developed and disseminated by a well-intentioned TSCL supporter. Despite a thorough investigation by the OIG, including follow-up with church leaders, senior centers, nursing homes, local officials, magazines and newspapers, the OIG was unable to identify the origin of the hoax flyers. The informal distribution channels employed, which included hand posting on cars and bulletin boards, made source identification nearly impossible. The investigation did determine, however, that: (1) the return address listed on the hoax flyers was TSCL's address; (2) the hoax notch flyers were very similar to the notch reform fundraising flyers that TSCL acknowledges distributing in its normal course of business; (3) TSCL, and only TSCL, received the 29,000 responses generated by the hoax flyers; (4) TSCL directed its data processing firm to enter the personal information of those individuals who responded to the hoax flyers into a database; (5) TSCL responded to those individuals with a letter denying responsibility and a brochure soliciting a contribution to support TSCL's campaign for notch reform; and (6) TSCL's marketing and data processing firms resisted compliance with the OIG's subpoenas.

Although the investigation did not identify the source of the hoax flyers, it did highlight the vulnerability of senior citizens to exploitation by those who utilize inaccurate, misleading or false information to solicit money from them.

Public Outreach Will Prevent Profiteering by Third Parties

In 1994, the Social Security Notch Commission, a 12-member bipartisan commission appointed by the President and Congress, conducted a comprehensive study of the notch issue. The Commission concluded that "benefits paid to those in the 'notch' years are equitable, and no remedial legislation is in order."³ The Commission further concluded that the Social Security system faces serious long-term fiscal constraints and thus, would not be able to fund any remedial legislation.⁴ Nonetheless, legislation to compensate so-called notch victims has been introduced in Congress over the last 20 years with only slight variations, and none has passed.

Direct mailers and lobbyists continue to seize upon the notch issue and have lobbied Congress to pass notch legislation each year since it was first introduced. Typical mailings promise Social Security beneficiaries higher benefits under bills proposed in the House and Senate. Such solicitations fail to inform beneficiaries that if legislation affecting Social Security benefits were to pass, affected beneficiaries would automatically be identified by SSA according to year of eligibility and that no action would be required by the beneficiaries themselves. Furthermore, even if notch legislation were to pass, thereby extending a previously unintended windfall to additional persons, there would always be a new group of beneficiaries that would not receive the windfall and would perceive this "notch reform" as inequitable.

³ The Commission on the Social Security "Notch" Issue was created by P.L. 102-393. The Commission's Final Report on the Social Security Notch was issued in 1994.

⁴ Id.

Given the number of complaints and inquiries received by the OIG from senior citizens, it is apparent that many Social Security beneficiaries do not fully understand the notch issue. As the federal agency with the most direct contact with the elderly population, SSA has the unique opportunity to disseminate accurate information on the notch issue. Such information would permit those affected by the notch to make an informed decision about whether to support notch reform legislation and/or the industry purporting to advocate on their behalf. This office is aware that a Notch Fact Sheet is presently available through SSA's public website; however, many of the affected beneficiaries do not own or routinely use computers. It is our suggestion that, in addition to making the Notch Fact Sheet more readily and widely accessible through existing electronic SSA publications, SSA also consider conducting notch outreach via non-electronic means of communication.

In addition to its efforts to address this internally, SSA may wish to consider working closely with Congress to initiate outreach and educational efforts with constituents. In fact, Nevada Senators from both major parties recently met with their constituents to discuss issues affecting senior citizens. Senator Harry Reid recently spoke to a senior forum and specifically addressed the notch issue. He warned seniors that while they may support notch legislation, they should not donate to organizations that claim to lobby lawmakers to solve the notch problem. Senator Reid advised them, "You're just buying these people new cars."⁵ Also addressing the group was Senator John Ensign, who told the seniors that he advised his own grandmother, herself a notch baby, not to "send [these groups] a dime" and that "[t]hese fund-raising organizations are not making a difference in Washington."⁶ Ensign also advised the group that when he previously served on the House Ways and Means Committee, most of the Committee did not believe that there was any unfairness surrounding the notch issue and that no changes in the formula are needed.⁷ He also pointed out that the AARP opposes such legislation, believing it to be a "threat to Social Security."⁸

Recognizing that reasonable people may disagree on the merits of the notch reform issue, the Senators' warnings should not go unheeded. Elderly persons seem to be particularly susceptible and responsive to direct mail tactics, and many are unaware that supporting this type of reform does not require use of an intermediary fund-raising group. Instead, they should know that appealing directly to their elected representatives can achieve more immediate, and less costly, results. In fact, during the course of its investigation, the OIG learned that many of the "petitions" sent to TSCL by its supporters were never forwarded to the appropriate members of Congress, as promised in TSCL's standard solicitation and contribution request. See Exhibit 5. The OIG also discovered letters expressing concern that the contributor had continually provided financial support to TSCL but had not seen any results. See Exhibit 6. Perhaps most disturbing is the fact that one recipient of TSCL's standard notch solicitation sent a \$15 check to the SSA, apparently believing that TSCL was in some way connected to the SSA. See Exhibit 7.

⁵ Jane Ann Morrison, *Seniors Urged to Beware of 'Notch Baby' Groups*, Las Vegas Review-Journal, April 19, 2001, at B2.

⁶ Id.

⁷ Id.

⁸ Id.

The OIG's investigation confirms what testimony before Congress has revealed in the past decade: senior citizens continue to be victimized by deceptive solicitations. In 1992, Congress called a hearing on deceptive solicitations, in part to "...determine what additional legislative or administrative actions are necessary to protect the American public, and particularly senior citizens, from being victimized by these fraudulent activities."⁹ During this hearing, The Honorable Earl Hutto, Representative in Congress from the State of Florida, commented on the tactics used by fundraising groups and their effect on his elderly constituents, stating that "the most glaring example of this practice is the Social Security notch issue."¹⁰ He goes on to state that "[u]nfortunately, most seniors' understanding of the notch is predominantly based on skewed or misleading information being circulated by organizations claiming to lobby Congress on behalf of senior citizens."¹¹

In summary, the OIG believes that the federal government should do whatever is necessary to provide Social Security beneficiaries with balanced and non-inflammatory information on the notch issue. Together, both the Executive and Legislative branches can work to protect some of our nation's most vulnerable citizens from unscrupulous fundraisers. As Representative Hutto concluded, "...too many organizations are getting rich by unconscionably preying on trusting senior citizens. I believe that it is our responsibility as Members of Congress to protect the citizens of this Nation from these predators."¹²

We will be providing a fact sheet for distribution to the regional offices in anticipation of future inquiries resulting from this investigation. If you wish to discuss these issues further, please contact Rich Rohde at 410-966-1722.



James G. Huse, Jr.

Attachments

⁹ See *Deceptive Mailings and Solicitations to Senior Citizens and Other Consumers: Hearing Before the Subcomm. On Oversight of the House Comm. on Ways and Means*, 102d Cong. 3 (1992) (press release announcing hearing).

¹⁰ *Id.* at 18.

¹¹ *Id.* at 18-19.

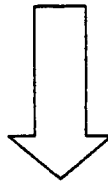
¹² *Id.* at 19.

TREA SENIOR CITIZENS LEAGUE (TSCL)

GENERAL INFORMATION

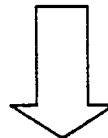
THE RETIRED ENLISTED ASSOCIATION (TREA)

- Created by an Act of Congress in 1963
- 501(c)(19) veterans service organization



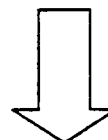
TREA SENIOR CITIZENS LEAGUE (TSCL)

- Established in 1990 as a special project of TREA to address senior issues
- 501(c)(4) tax-exempt nonprofit organization



NOTCH REFORM CAMPAIGN

- TSCL fundraising issue
- Target individuals aged 75 to 84 (born between 1917 and 1926)
- Request contributions in return for TSCL support of Notch legislation
- Urge recipients to join a Notch Victim Register to be notified by TSCL upon passage of legislation

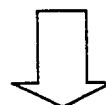
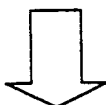


- TSCL receives contributions from the public

THE ANONYMOUS HOAX FLYERS

ANONYMOUS HOAX FLYERS

- Two types: Slave Reparations and Notch Settlement
- Posted in churches, nursing homes, senior centers, etc.
- Target individuals born prior to the year 1927
- Origin unknown
- List as return address P.O. Box number registered to TSCL



SLAVE REPARATIONS

- Falsely informs recipients that the Government is refunding money to those of the black ethnic race born prior to 1927
- Promises \$5,000 to persons who supply their name, address, phone number, date of birth, and SSN to a "National Victim's Registrar"
- States that money may be issued in a lump sum or attached to Social Security benefit check
- Asks recipients to respond to: "T.R.E.A. Senior Systems League, P.O. Box 96472, Washington, D.C. 20090"

NOTCH SETTLEMENT

- Promises individuals born between 1917 and 1926 higher Social Security benefits under a bill proposed in the Senate
- Advises recipients that SSA will not contact them and that they should write to a "National Victim Register"
- Requests name, address, telephone number, and Social Security number
- Asks recipients to respond to: TREA Senior Citizens League, P.O. Box 96472, Washington, D.C. 20090



- Over 29,000 senior citizens respond to anonymous hoax flyers
- Responses received by TSCL at its P.O. Box
- Recipients mistakenly send identity documents to TSCL in response to flyers
- TSCL compiles respondents' personal information into a proprietary database
- TSCL sends letter to victims disavowing responsibility for the flyers, but also solicits contributions

EXHIBIT #1

31JUL00

**BORN PRIOR TO THE YEAR OF 1928 AND
OF THE BLACK ETHNIC RACE?**

**DO YOU KNOW ANYONE WHO WAS BORN UP UNTIL 1927? DID
YOU KNOW THAT THE GOVERNMENT IS REFUNDING MONIES TO
ANYONE ALIVE THAT WAS BORN UP UNTIL THE YEAR OF 1927 DUE
TO THE SLAVE REPARATION ACT? FOR MORE INFORMATION
CONTACT:**

**NATIONAL VICTIMS REGISTRAR
T.R.E.A. SENIOR SYSTEMS LEAGUE
PO BOX 96472
WASHINGTON, DC 20090-6472**

**PROVIDE THEM WITH THE FOLLOWING INFO AND AN APPLICATION
WILL BE MAILED TO YOU FOR THE ISSUANCE OF A \$5000.00
CHECK WHICH CAN BE EITHER ATTACHED TO YOUR SOCIAL
SECURITY CHECK OR ISSUED IN ONE LUMP SUM:**

**NAME
ADDRESS
PHONE #
SOCIAL SECURITY #
DATE OF BIRTH**

EXHIBIT #2

ATTENTION SENIOR CITIZENS

If you are a "notch baby", meaning you were born in the U.S. between 1911 and 1926, this news is for you. You may be entitled to receive \$5,000 due to inequities in your Social Security payments. There is a measure attempting to be passed, but you must be registered in order to receive it. See the following article:

Some 11 million Americans born from 1917 to 1926 will receive higher Social Security benefits under a bill proposed in the Senate.

The bill would give the "notch babies" the option of receiving higher monthly payments for 5 years or a \$5,000 settlement spread over 4 years. These Americans have been receiving a lower Social Security amount than others.

Social Security will not contact "notch babies", so they should write to:

National Victim Register
TREA Senior Citizens League
P.O. Box 96472
Washington, DC 20090-6472

TREA is a senior citizen's organization. You will need to provide the following in order to register: name, address, telephone number, social security number.

Name: _____

Address: _____

City - State - Zip

Phone#: _____

Social Security #: _____